Committee of Ministers under Home Minister has already been constituted to look into issues relating to pay revision in the Oil Sector.

Fixation of sale price of petrol and diesel

†209.SHRI RAM JETHMALANI:
SHRI SHIVANAND TIWARI:

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether it is a fact that the rate of consumer sale prices of petrol and diesel in the country is fixed on the basis of trade parity pricing system;

(b) if so, the details of expenditure regarding the product being factored under the above system;

(c) the reasons for adaptation of above system instead of common basis of production cost to fix the consumer sale price; and

(d) the differences and characteristics of above said both systems?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA PATEL): (a) and (b) Based on the Rangarajan Committee's recommendations, effective 16 June 2006, Government approved the refinery gate pricing of Petrol and Diesel on Trade Parity basis, which is the weighted average of Import Parity and Export Parity prices, in the ratio of 80:20. The build up of retail selling price of Petrol and Diesel includes the following elements:

(i) Price paid to refinery on Trade Parity basis.

(ii) Inland freight up to the market

(iii) Marketing Margin

(iv) Dealer Commission

(v) Excise duty

(vi) Value Added tax and local levies

(c) and (d) As the country imports more than 75% of its crude oil requirements, domestic prices of petroleum products are, to a very large extent, influenced by international oil prices. Hence, the adoption of Trade Parity pricing for Petrol and Diesel. In petroleum refining, crude oil is processed through numerous processing streams. The blending of intermediate product streams from various processing units for making finished petroleum products makes its difficult to apportion the total cost to individual refined products with reasonable accuracy. Therefore, individual product-wise costs are not identified separately.

The Government dismantled Administered Pricing Mechanism (APM) *w.e.f.* 1st April, 2002, which was based on the cost plus methodology for determining prices of petroleum products. The APM had the following disadvantages:

(1) APM: did not provide strong incentives for investments in technological upgradations or for cost minimization.

†Original notice of the question was received in Hindi

(2) There was no incentive for oil companies to generate internal resources for making investments for the future.

(3) Private capital as well as foreign direct investment would not be forthcoming in view of the regulatory controls inherent in the APM.

(4) Subsidies and cross-subsidies resulted in wide distortions in the consumer prices and did not reflect the economic cost of petroleum products.

The Government's decision to determine domestic prices of petroleum products on the basis of international prices is intended to make the oil companies globally competitive, to attract investments in petroleum sector to meet the growing demand, and to promote efficiency and better customer service through competition.

Allotment of oil and gas blocks

210. SHRI B.K. HARIPRASAD: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether Government proposes to auction around 100 oil and gas blocks soon under the New Exploration Licensing Policy (NELP)-VIII round among international bidders;

(b) whether similar auction will be held for Coal Bed Methane blocks for exploiting gas below coal bed; and

(c) whether the contractual terms under the NELP-VIII will include preferential allotment of gas by the producers to public sector units in power and fertilizer sectors?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA PATEL): (a) to (c) The number of blocks and contractual terms to be offered under the forthcoming eighth round of New Exploration Licensing Policy (NELP-VIII) and fourth round of Coal Bed Methane Policy (CBM-IV) have not been finalized.

Strike in public sector oil companies

211. SHRI PRAKASH JAVADEKAR: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether it is a fact that the officers from various oil companies have been suspended and services of some other officers have been terminated for taking part in the strike in January, 2009;

(b) if so, the details thereof;

(c) whether Government proposes to take them back into the service in view of the fact that the striking officers have called off the strike unconditionally; and

(d) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA PATEL): (a) and (b) It has been reported by the Oil PSUs that 67 Officers were terminated and 33 Officers were suspended/chargesheeted for taking part in the strike from 7th to 9th January, 2009.

(c) and (d) This is an administrative matter of the concerned PSU.